

INFORMATION BULLETIN #38

INCOME TAX

JANUARY 1, 2003

(Replaces Information Bulletin #38 dated November 2000)

DISCLAIMER: Information bulletins are intended to provide nontechnical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules, and court decisions. Any information that is not consistent with the law, regulations, or court decisions is not binding on either the Department or the taxpayer. Therefore, the information provided in this bulletin should only serve as a foundation for further investigation and study of the current law and procedures related to its subject matter.

SUBJECT: RENTER'S DEDUCTION

REFERENCE: IC 6-3-2-6

INTRODUCTION

Indiana residents who rent their dwelling and use it as their principal place of residence are allowed a deduction from adjusted gross income if the dwelling is subject to Indiana property tax. This deduction applies to both rent paid on a single family dwelling and any unit of a multiple family dwelling.

I. LIMITATION OF DEDUCTION:

The renter's deduction is limited to the actual amount of rent paid or two thousand five hundred dollars (\$2,500), whichever is less, for tax years beginning after December 31, 2002.

EXAMPLE: Taxpayer A paid rent totaling twelve hundred dollars (\$1,200) during the year. Because his total rent was less than the two thousand five hundred dollar (\$2,500) limitation, he may deduct twelve hundred dollars (\$1,200) on his return.

EXAMPLE: Taxpayer B paid rent totaling three thousand four hundred (\$3,400) during the year. Since the total rent exceeded the two thousand five hundred dollar (\$2,500) limitation, the taxpayer may deduct two thousand five hundred dollars (\$2,500) on the return.

EXAMPLE: If the taxpayer's payment includes items other than rent for the dwelling, the total payment must be segregated and the portion attributed to rent for the dwelling determined. Taxpayer C makes monthly payments of two hundred dollars (\$200) for his apartment. His landlord provides the utilities which average twenty-five dollars (\$25) per month. Therefore, the taxpayer may only use one hundred seventy-five dollars (\$175) of his monthly payment as a basis for deduction. His total deduction on an annual basis would be two thousand one hundred dollars (\$2,100).

II. CLAIMING THE DEDUCTION:

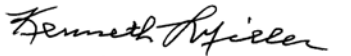
This deduction shall be claimed on the Indiana individual income tax return. When claiming the renter's deduction, the taxpayer is required to indicate the landlord(s) to whom the rent was paid and the location(s) of the property.

III. RENT ON MOBILE HOMES:

Rent paid for mobile homes and for land use for mobile homes qualifies for this deduction provided the mobile home is the claimant's principal place of residence. Owners of mobile homes who maintain the mobile home as their dwelling may deduct rent paid for land use.

IV. MEMBERS OF COOPERATIVE HOUSING:

Members of cooperative type housing projects, whereby each member shares in the ownership of the entire property, are not permitted to take the renter's deduction available on the individual income tax return. The purpose of the renter's deduction is to afford to renters, on their individual returns, similar property tax relief as is now enjoyed by property owners in the form of a reduction in property tax liability. Since the payments made by the cooperative member to the cooperative association are based on a cost formula, it is the Department's position that each cooperative member will benefit from property tax relief through a reduction in his/her proportionate share of the cost. Furthermore, payments made by the member to the cooperative association are considered investments and do not constitute rent.



Kenneth L. Miller
Commissioner